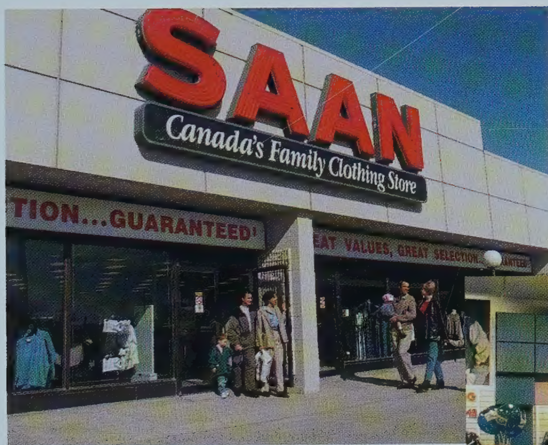
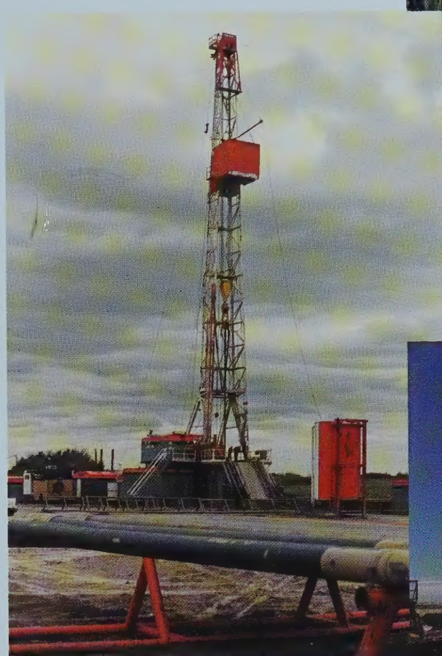
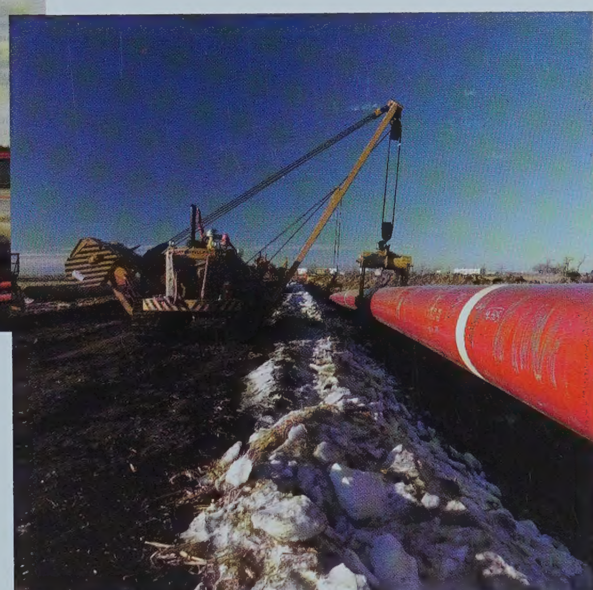
GENDIS INC.







Annual Report • January 30, 1999

GENDIS INC.

ANNOUNCEMENT

The Board of Directors of Gendis Inc. announces the following changes effective April 29, 1999. Albert D. Cohen who has been Chairman and Chief Executive Officer of Gendis Inc. is stepping down from his position as Chief Executive Officer and will continue as non-executive Chairman of the Company. A gifted entrepreneur, Mr. Cohen built the company from a small importing distribution operation into an international company with interests in the pipeline, oil and gas, retail and real estate industries.

Mr. Cohen's career accomplishments distinguish him as one of Canada's pre-eminent business leaders. Under his stewardship, Gendis became the first foreign importer of Sony products in the 1950's. The two companies later became joint-venture partners, and Mr. Cohen served as Chairman and Chief Executive Officer of Sony of Canada Ltd. from 1975 to 1995.

G. Allan MacKenzie has been appointed to the position of Chief Executive Officer. Mr. MacKenzie will continue in his role as President of the Company.

Mr. MacKenzie brings extensive experience and leadership skills to his new role, having held the position of President and Chief Operating Officer at Gendis Inc. since 1989. He served as Chairman of the Executive Committee of Sony of Canada Ltd. from 1983 to 1995 and as President and Chief Operating Officer from 1993 to 1995. Mr. MacKenzie also enjoyed a distinguished military career with Canada's Air Force before joining Gendis in 1980.

GENDIS INC.

COMPARATIVE FINANCIAL HIGHLIGHTS

(in thousands of dollars, except per share data)

Period ended	**January 30, 1999**	January 31, 1998
Sales	**400,536**	410,284
Earnings (loss) before tax before the undernoted:	**(17,952)**	(2,656)
Investment income	**5,829**	—
Gain (loss) on disposal of investments	**(49,792)**	162,750
Provision for loss on investments	**(129,961)**	(13,800)
Restructuring costs	**(5,951)**	(22,123)
Net earnings (loss)	**(139,505)**	94,112
Dividends paid	**2,014**	2,009
Shareholders' equity	**163,515**	304,950
Cash flow - earnings (loss)	**(6,312)**	(5,628)
Capital expenditures	**7,708**	6,893
Per Common Share:		
Earnings (loss)	**(8.31)**	5.62
Annual dividends paid	**0.12**	0.12
Shareholders' equity	**9.74**	18.18

THE COMPANY

Gendis Inc. participates in the pipeline industry through its equity interest in Fort Chicago Energy Partners L.P., a limited partnership, of Calgary. Fort Chicago Energy Partners L.P. has an equity interest in the Alliance Pipeline project and Aux Sable natural gas extraction plant project which are scheduled to commence operation in the year 2000.

Gendis Inc. participates in the oil and gas exploration and development industry through portfolio shareholdings in Pioneer Natural Resources Company of Texas and an equity interest in Tundra Oil and Gas Ltd. of Winnipeg.

Gendis Inc. is active in the retail merchandising industry through Saan Stores Ltd., a wholly owned subsidiary which operates junior department, family, children's and women's clothing stores across Canada. These retail outlets have a broad geographic base and operate under the names "SAAN" and "Red Apple Clearance Centre".

Gendis Inc. is also active in real estate management and development through a wholly owned subsidiary, Gendis Realty Inc.

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The Annual Meeting of Shareholders will be held Friday, June 4, 1999 at 11:00 a.m. at The Lombard Hotel Winnipeg, Manitoba

MESSAGE TO SHAREHOLDERS

Fiscal 1999 was a challenging year for Gendis Inc. We are disappointed with the performance of both our investment in Pioneer Natural Resources Company and our retail operations. We were, however, pleased with the progress of our pipeline investment and the performance of our real estate operations.

The Alliance Pipeline project received all necessary approvals in both the United States and Canada. The Cdn $5.1 billion Alliance pipeline and Aux Sable natural gas liquids extraction plant project, of which Gendis owns a net six per cent stake through our interest in the publicly traded Fort Chicago Energy Partners L.P., continued to proceed according to schedule in fiscal 1999. Alliance made excellent progress toward the realization of the project, meeting all of its deadlines on time.

In February, physical work on the project began with the commencement of clearing more than 660 km of the pipeline route on the Canadian side of the line. At press time, more than 900 km of pipe had been stockpiled along the route. Actual construction of the pipeline is scheduled to commence on May 15 in the United States and June 1 in Canada. Construction of the Aux Sable plant began in mid-March.

The Alliance Pipeline will remain a long-term investment for Gendis. Fort Chicago Energy fully expects the Pipeline to begin operation on schedule in the fall of 2000, at which time it will begin contributing annual after-tax cash flow of $13 million to $15 million to Gendis, based on 15-year transportation agreements and conservative natural gas pricing assumptions. This translates to $0.77 to $0.89 per Gendis share.

Our real estate business, Gendis Realty, continued to generate favourable operating profits of $4.0 million for fiscal 1999.

In other areas, Gendis faced some difficult and unanticipated challenges. Oil prices fell to 20 year lows in 1998. This environment has had a negative impact on our investment in Pioneer Natural Resources Company. In December 1998, Pioneer wrote down its oil and gas assets, recording a provision against earnings. Gendis was obliged to follow suit, writing down its investment in Pioneer.

Pioneer is not a core holding for Gendis and we will continue to sell our investment in Pioneer as it fits our strategy to reduce debt and strengthen our balance sheet.

At Saan Stores Ltd., the majority of the restructuring that we began last year is now completed. Saan is a more streamlined and efficient retail operation. As a result on a same store 52-week comparative basis, sales increased five percent over fiscal 1998. Unseasonable weather across Canada and a weak Christmas season, however, resulted in lower than expected sales and gross margins overall.

During the year, we closed 16 underperforming locations and opened 1 new store, bringing the total number of Saan stores across Canada to 298. We now have a solid base of profitable stores in place from which to grow. We expect to open 16 new stores over the next two years.

Additionally, we have implemented a number of new initiatives designed to increase sales inventory turnover, and margins at Saan. In February of 1999, Saan entered the shop at home business with the distribution of the SAAN Spring/Summer Home Shopping Catalogue to 200,000 households across six provinces and two territories, covering all of the English-speaking non-urban regions of Canada. The shop at home program allows Saan to penetrate the more remote markets in Canada, offering the same merchandise, at the same prices, to customers that don't have access to our store locations. We are pleased to report that feedback from our customers has been positive.

We also increased our focus on private label goods at Saan. Private label goods carry higher margins than brand items while at the same time establishing customer loyalty. We plan to increase the number of private label products throughout the balance of 1999 and in 2000.

Finally, Saan augmented its in-store merchandise mix with selected hard line products geared toward increasing repeat visits and sales per square foot.

In February 1998, the Company sold its investment in Tundra Oil and Gas Ltd. for $39 million plus other consideration. The Company is seeking specific performance of the sale agreement through the courts and a trial is scheduled to commence in October 1999.

As a result of one-time charges, including restructuring costs of $5.9 million and losses on our investments in Pioneer and Chauvco Resources International Inc. of $176.8 million, Gendis reported a net loss for fiscal 1999. When these one-time charges are factored out, the actual loss for the year was $4.3 million.

Debt reduction remained a key part of our overall strategy in fiscal 1999. Over the year, we made good progress toward strengthening our balance sheet. Following the sale by Gendis of one million shares of Pioneer in the first quarter of fiscal 1999, Saan concluded a $75 million three year, asset based, stand alone credit facility and Gendis finalized a two year arrangement for $132 million. Proceeds from the sale and two term loans were used primarily to replace short-term bank debt, which has been fully repaid. The balance was used for general corporate purposes. During the fourth quarter of fiscal 1999 and the first quarter of fiscal 2000, we sold additional Pioneer shares and reduced our two-year debt financing to $69 million.

Mr. Edward C. Lumley and Mr. Guy J. Turcotte will not stand for re-election to the Board of Directors. We thank them for their years of service and appreciate the valuable counsel they have provided. We are pleased that F. Ross Johnson and Mark A. Weisdorf have agreed to stand for election to the Board of Directors at the upcoming annual meeting of shareholders.

We would like to take this opportunity to express our gratitude to all of our employees whose diligence and dedication have been so important to the operation of Gendis. We would also like to thank our shareholders and other stakeholders for their continuing support of the Company.

Albert D. Cohen
Chairman and Chief
Executive Officer

G. Allan MacKenzie
President and
Chief Operating Officer

BUSINESS REVIEW

Fort Chicago Energy Partners L.P.

Calgary-based Fort Chicago Energy Partners L.P. owns a 26 per cent stake of the Alliance Pipeline system, consisting of a 3,000 km pipeline being constructed from Fort St. John in northeastern British Columbia to the Chicago, Illinois area and a natural gas liquids extraction plant to be built near Chicago. Gendis owns 14,688,610 Class "A" Units, or 22 per cent of Fort Chicago, resulting in a net six per cent interest in the Alliance Pipeline project. Gendis is the largest shareholder in Fort Chicago. In turn, Fort Chicago is the largest shareholder in Alliance Pipeline.

Through its $84.5 million investment in Fort Chicago, paid in cash in 1998, Gendis is one of the early founding investors in the Alliance Pipeline. Other investors in Fort Chicago include Enbridge Inc. (formerly IPL Energy), Westcoast Energy, Coastal Corporation, Duke Energy, Unocal Corporation and The Williams Companies.

The Alliance Pipeline includes the construction and operation of lateral pipelines and related facilities connecting gas processing facilities located in Alberta and northeastern British Columbia. The project will eliminate existing constraints in pipeline capacity in Western Canada. The pipeline will have an initial capacity of 1.3 billion cubic feet per day, expandable to 1.8 billion, and a life span exceeding 50 years. The Alliance Project is expected to meet a broad spectrum of needs on both the supply and demand sides of the natural gas industry.

The Aux Sable plant portion of the project involves the construction and operation of a natural gas liquids extraction, fractionation, and delivery facility at the terminus of the Alliance Pipeline near Chicago. This area has a huge local market for the plant's product, including ethane, butane, propane and other distillates.

Of the Cdn $5.1 billion capital cost of the projects, $4.55 billion will be used to build the Alliance Pipeline. The remaining $550 million will be used for construction of the Aux Sable natural gas liquids extraction plant. Fort Chicago's commitment to the projects totals $530 million in equity financing. With the $379 million of equity raised in 1998, interest income of $25 million and $145 million of arranged bank financing, Fort Chicago expects to have sufficient funding to meet all of its equity financing requirements for the projects.

Regulatory approval from the U.S. Federal Energy Regulatory Commission and from Canada's National Energy Board was granted in 1998, and the project is moving ahead on schedule. In February 1999, Alliance Pipeline commenced with the clearing of more than 660 km of main line and lateral rights-of-way in Alberta and northeastern British Columbia. Over 900 km of pipe have been shipped along the route. Main line construction is scheduled to begin on May 15, 1999 in the United States and on June 1, 1999 in Canada. Construction of the lateral portions of the Pipeline are to begin later in 1999, and the total Pipeline system will be complete and in service in October 2000. Construction of the Aux Sable plant began in March 1999.

For the year ended December 31, 1998, Fort Chicago Energy Partners L.P. had earnings of $22.2 million, or $0.34 per Class A unit. These earnings include Fort Chicago's share of the earnings of the Alliance Project of $8.7 million, $14.9 million in interest income less administration expenses of $1.4 million. The Partnership is anticipating that 1999 net income should increase by approximately 35 per cent compared to net income for 1998. As of December 31, 1998, Fort Chicago held cash and short-term investments totaling $229.8 million for future equity commitments to the Alliance Project.

As a core investment, the Alliance Pipeline Project is fundamental to Gendis Inc.'s overall growth strategy. Based on 15-year transportation agreements and conservative assumptions for the natural gas liquids business, this investment will provide an annual cash flow of $13 million to $15 million to Gendis when the project begins full operations late in 2000. This translates to $0.77 to $0.89 per Gendis share.

Pioneer Natural Resources Company

Pioneer is one of the largest independent exploration and production oil and gas companies in the United States, with interests in the United States, Canada, Argentina, South Africa and Gabon. Pioneer is listed on both the New York and Toronto stock exchanges. Its drilling and production operations are principally located in the southern United States.

Low commodity prices posed many challenges for Pioneer over the course of the year. Proved reserve estimates declined by over 85 million barrels oil equivalent of oil and gas reserves at year-end 1998. Total proved reserves were 677 million barrels oil equivalent, compared with total proved reserves of 762 million barrels at December 31, 1997. Average oil prices in 1998 declined by US $5.50 per barrel over 1997.

Pioneer's total assets and shareholders' equity were US $3,481 million and US $789 million respectively at December 31, 1998. The company recorded a net loss of US $746 million, or US $7.46 per share, and cash flow from operations was US $314 million for the year ended December 31, 1998. Hedging activities, however, enhanced 1998 revenues by US $29 million.

Despite the low commodity price environment, Pioneer is moving forward with a financial strategy to reduce debt, overhead and operating costs, and to hedge to protect future cash flow. For 1999, Pioneer's operating strategy is focused on enhancing existing core assets through natural gas development drilling, combined with selective core-area acquisitions. Exploration plans include a comprehensive prospect evaluation and the drilling of three of four exploratory wells.

In its fourth quarter of fiscal 1998, Pioneer experienced a setback taking an after-tax charge of US $592 million, related primarily to low commodity prices. Following the sale of 1.8 million shares of Pioneer in fiscal 1999 for a book loss of $49.8 million, Gendis decided to write down the balance of its investment in Pioneer in the amount of $123.9 million. Since the fiscal year end Gendis sold an additional 1.9 million shares of Pioneer for proceeds of $24 million which were applied to reduce term debt.

Pioneer is currently putting cost control measures into place. Pioneer intends to cut its work force by as much as 15 per cent, closing two offices. This is expected to result in significant annual selling, general and administrative cost saving from US $1.15 per barrel of oil equivalent in 1998 to US $0.75 in 1999. Pioneer has also eliminated the US $0.05 per share semi-annual dividend. Further, Pioneer plans to sell US $500 million to US $600 million worth of properties in

1999, and has earmarked cash flow from 1999 operations in excess of the US $100 million capital budget to pay down debt.

Pioneer is not a core holding for Gendis. The investment in Pioneer will be sold as it fits Gendis' strategy to reduce debt and strengthen its balance sheet.

Saan Stores Ltd.

Wholly-owned by Gendis Inc., Saan Stores Ltd. is a Winnipeg-based, family clothing and household products chain with 298 stores operating across Canada, primarily in non-urban areas. Saan's consumer base is middle and low income families. Saan Stores' retail outlets operate under the banners SAAN and The Red Apple Clearance Centre.

As a result of the strategic restructuring of its retail operations commencing in February 1997, Gendis closed 80 stores and integrated 89 MMG Management Group locations into Saan's operations. Additionally, over the past two years Saan closed 51 stores in a rationalization of redundant locations. As part of a plan to improve the profitability of the chain, Saan anticipates opening additional stores over the next two years. Saan has also introduced measures aimed at increasing inventory turnover through reduced inventory, increased supplier involvement and quicker replenishment of basic items. Operationally, the goal has been to augment current merchandise with selected hardline assortments geared to increasing repeat visits and sales per square foot. To that end, in October 1998 Saan opened up a 60,000 square-foot facility in Montreal to establish a hardline distribution centre. Saan will also use this facility to improve softline distribution in Eastern Canada.

In February 1999, Saan entered into the home shopping catalogue market. Saan's new catalogue operation is based out of a 14,000 square-foot location in the Winnipeg Distribution Centre. The catalogue was distributed to households across six provinces and the two territories, covering all English-speaking, non-urban areas of Canada. Saan's management believes this initiative will increase its share of the retail market by allowing penetration of the more remote markets of the country, and by offering a viable, convenient alternative shopping method. Saan is planning to launch a Fall/Winter catalogue in mid-1999 and to increase distribution.

In a separate initiative to increase long-term profitability, Saan increased its focus on private labels, a line of business that provides higher gross margins. Over the next two years Saan expects to more than double private label sales.

Sales performance in fiscal 1999 was lower than anticipated, but typical of the retail sector in general. Gendis is nevertheless satisfied with the results of the restructuring process and is optimistic about Saan's potential. Saan's fundamentals remain strong, and it is poised to improve gross margins and capitalize on new growth opportunities as the retail sector revives.

The majority of the restructuring costs at Saan is now largely behind us. Recently Saan has made changes at the executive and senior management levels as part of the focus on improved performance and profitability. Gendis is confident that the initiatives implemented in the past year will help Saan return to and grow beyond historic levels of profitability.

While the Saan operation has a favorable outlook, it is no longer the best fit for Gendis' strategic focus on pipeline and oil and gas investments. Accordingly, in June 1998, Saan concluded a three-year financing arrangement with Congress Financial Corporation to create stand-alone financing for Saan Stores Ltd. This is a step on the way to making Saan Stores Ltd. the subject of an initial public offering.

Chauvco Resources International Ltd.

Chauvco, a Bermuda-based junior oil and gas production company with interests in Gabon and West Africa, continued to experience financial difficulties, primarily the result of a prolonged slump in oil prices. The company filed for bankruptcy in January 1999.

As a result, Gendis has written off its $2.9 million equity interest in Chauvco.

Tundra Oil and Gas Ltd.

Gendis is currently involved in a legal action to collect the proceeds from the sale of its 50 percent interest in Tundra. In the first quarter of this fiscal year, Gendis reached an agreement to sell this asset, and is currently seeking specific performance through the courts. A trial is scheduled to commence in October 1999.

Gendis will continue to equity account for 50 percent of the net earnings of Tundra until the matter is concluded.

Gendis Realty Inc.

Gendis invests in and manages real estate through its wholly owned subsidiary Gendis Realty Inc. Gendis Realty owns a total of 40 properties, of which 16 are in support of Gendis' retail operations, including Saan retail outlets and the Saan head office and distribution centre, 19 are commercial properties that are leased to third parties and five properties that are surplus and will be sold.

Revenue for the year including inter-segment revenues was $6.1 million compared to $6.2 million in fiscal 1998. The decline is primarily due to the sale of the retail distribution centre located in Pointe Claire, Quebec. Operating profit for fiscal 1999, was $4.0 million, an increase of $0.2 million from the previous year. The overall vacancy rate has decreased from 10 percent to 7 percent.

The combined valuation of these properties, determined through a combination of outside appraisal and internal assessment of market value, is estimated at $40 million. As these properties provide cash flow support for the company, Gendis Realty will continue to figure in Gendis' growth strategy even though it is not related to the pipelines or oil and gas industries.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial highlights for the past three fiscal years are summarized as follows:

	Jan. 1999 ($000's)	Jan. 1998 ($000's)	Jan. 1997 ($000's)
Revenue			
Retail	396,642	406,476	506,289
Real Estate *	3,894	3,808	3,048
	400,536	410,284	509,337
Segment operating profit (loss)			
Retail	(5,831)	2,529	(17,408)
Real Estate *	4,035	3,838	3,874
Corporate *	6,835	(1,798)	451
Total segment operating profit (loss)	5,039	4,569	(13,083)
Interest and other finance costs	(17,162)	(7,225)	(4,993)
Net earnings (loss) before the undernoted	(12,123)	(2,656)	(18,076)
Cost of restructuring	(5,951)	(22,123)	(41,482)
Gain (loss) on disposal of investments	(49,792)	162,750	—
Provision for loss on investments	(126,961)	(13,800)	—
Income tax provision) recovery	53,074	(42,350)	5,700
Equity in the earnings of investments	2,248	12,291	13,015
Net earnings (loss) for the period	(139,505)	94,112	(40,843)
Earnings (loss) per share	(8.31)	5.62	(2.44)

* net of intersegment activities.

Corporate Segment (including Pipeline and Oil & Gas Activities)

Fiscal year 1999 compared with fiscal year 1998

The increase in the segment operating profit of $8.6 million was primarily due to $5.9 million in investment income and a non-recurring Corporate expense reduction of $2.7 million. The Company recorded $4.9 million as its share of earnings from Fort Chicago Energy Partners L.P. ('Fort Chicago'), representing $2.9 million of interest income net of operating expense and $2.0 million as its share in the equity increase in the Alliance Pipeline project. The Company received a cash dividend from Pioneer Natural Resources Company ('Pioneer') of $1.0 million. The investments in Fort Chicago and Pioneer were acquired in the 4th quarter of fiscal 1998 and accordingly, the Company did not accrue a share of partnership earnings from Fort Chicago and did not receive dividends from Pioneer in fiscal 1998.

The loss of $49.8 million on disposal of investments results from the sale of 1.8 million shares of Pioneer in the 4th quarter of the year. A gain of $162.8 million on the exchange of the investment in Chauvco Resources Ltd. ('Chauvco') for Pioneer was recorded in the 4th quarter last year. The provision for loss of $127.0 million on investments recognizes a permanent decline in the value of the investment in Pioneer and the write off of the remaining carrying value of the investment in Chauvco Resources International Ltd. ('Chauvco International') in the 4th quarter of the year. Last year, a similar provision for a loss of $13.8 million on investments was recorded.

The equity earnings contribution from the Company's investments in the oil and gas sector declined by $10.0 million in fiscal 1999, due to equity earnings from Chauvco foregone as a result of the exchange of the Company's equity interest in Chauvco for a portfolio investment holding in Pioneer recorded in the 4th quarter last year. The Company's earnings contribution from Tundra Oil and Gas Ltd. ('Tundra') totaled $2.2 million, the same as last year. The Company also received cash dividends of $1.0 million from Tundra, the same as last year. Tundra's production increased 33%, primarily due to an acquisition last year, but was offset by a decline in hedged oil prices of 28% and an increase in operating and depletion charges.

Outlook

For fiscal 2000, the Company expects an increase in earnings from Fort Chicago over fiscal 1999 with cash flow from earnings to commence in the 4th quarter of fiscal 2001. Pioneer has announced a curtailment of dividend payments, and accordingly, dividend income of $1.0 million in fiscal 1999 will not reoccur in fiscal 2000. Oil prices have commenced an upward trend in the 1st quarter of calendar 1999. Should this trend continue, it should have a positive effect on the market value of the Company's investment in Pioneer. The Company expects that a favourable judgment on the sale of Tundra would be determined by the 4th quarter of fiscal 2000, at which time the sale transaction would be recorded.

Fiscal year 1998 compared with fiscal year 1997

The increase in Corporate loss reflected the reduction in intersegment recoveries of corporate costs.

The $162.8 million gain on disposal of investments is the result of the exchange of the Company's equity interest in Chauvco for a portfolio investment holding in Pioneer.

One million shares of Pioneer were sold in early fiscal 1999, and accordingly, a provision for loss of $10.2 million was recorded in fiscal 1998. Also, the quoted market value of Chauvco International declined significantly and was considered not to be temporary. Accordingly, a provision for loss of $3.6 million was recorded in fiscal 1998.

The Company's equity share in the earnings of its oil and gas investments declined $0.7 million to $12.3 million. Chauvco accounted for $10.1 million of these earnings, a decrease of $0.2 million over fiscal 1997, the result of an 11% increase in production, offset by a 4% decline in prices, while the Company held the investment. A consequence of the exchange of the Company's equity interest in Chauvco for portfolio investment holdings was the foregoing of earnings for the last month of the year. There were no earnings in the year from the investment in Pioneer or Chauvco International or from the equity holding in Fort Chicago. The

Company's contribution from Tundra totaled $2.2 million compared to $2.8 million in the prior year. The Company received cash dividends of $1.0 million, resulting in a $0.1 million increase from the prior year. Tundra's increase in production of 26%, primarily due to its acquisition in the year, was offset by a decline in hedged oil prices of 6% and an increase in operating and depletion charges.

The equity earnings contribution from the Company's investments in the oil and gas business declined by $0.7 million, primarily due to the foregoing of earnings for the month of January 1998 as a result of the exchange of the Company's equity interest in Chauvco for a portfolio investment holding in Pioneer.

Retail Operations

Fiscal year 1999 compared with fiscal year 1998

The sales decrease from last year of $9.8 million was largely due to the net reduction of 29 retail stores in fiscal 1998. On a same store basis, there was a sales increase (calculated on a comparative 52 week basis for both years) of 5% over last year, with significant improvement occurring in the former MMG locations.

Unseasonably cool weather in June 1998 and unseasonably warm weather prior to and during the Christmas selling period put pressure on margins to meet competition and to sustain the sales momentum generated in the first half of the year. In addition, margin suffered as significant markdowns were taken to liquidate inventory in the 16 stores closed in the current year. Operating expenses remained tightly controlled. Store expenses declined as a percentage of sales reflecting efficiency gains. However, administrative and distribution costs increased over last year, primarily to provide the infrastructure in staffing, facilities and information technology resources to support the expansion of hardline offerings at the stores.

The change in store locations during fiscal 1999 is as follows:

	Opened	Closed	end of year
SAAN	—	13	263
Red Apple	1	3	35
	1	16	298

During fiscal 1999, total net selling space in the retail operations was reduced by 220,000 square feet to approximately 3.9 million square feet. During fiscal 1998, total net selling space in the retail operations was reduced by more than 1.5 million square feet to approximately 4.1 million square feet, primarily from the closing of 80 MMG locations at the start of the year and 35 locations during the year.

Outlook

For fiscal 2000, three SAAN locations will be converted to the Red Apple format. Four SAAN and four Red Apple locations will be opened. Four non-performing locations will be closed at the end of fiscal 2000, as leases expire. Although the closing of 16 locations in fiscal 1999 will reduce sales volume in fiscal 2000, Saan Stores is targeting a sales increase of 3% on a same store basis. SAAN will emphasize its private label merchandise in order to return to normal margin rates.

Fiscal year 1998 compared with fiscal year 1997

The sales decrease of $99.8 million was due to the closing of 80 MMG retail stores at the beginning of the 1st quarter of fiscal 1998 and a net decrease of 29 locations (35 closed, net of 6 opened) during the year. On a same store basis, the sales increase (calculated on a comparative 52 week basis for both years) was 1%. This annual figure reflects the rationalization of merchandise assortments in the integration of the 89 MMG locations during the first and second quarter of the year.

Operating profits increased $19.9 million due to the closing of the 80 non-contributing stores and the closing of the MMG office and distribution centre in fiscal 1997.

Restructuring

In the 1st quarter of fiscal 1998, the Company initiated a restructuring of its retail segment. The restructuring involved the closing of 80 retail outlets and the centralization of the Retail segment's head office functions. The closure of the retail outlets was concluded through the bankruptcy of a subsidiary, Greenberg Stores Limited, and its principal operating division, MMG Management Group. The aggregate cost of the restructuring is estimated to be $69.6 million before income tax recoveries. The Company recorded a charge of $6.0 million in fiscal 1999 pertaining to the non-cash write-down of capital assets, $22.1 million in fiscal 1998 pertaining to continuing obligations and the costs associated with the centralization of head office and distribution functions and $41.5 million in fiscal 1997 pertaining to the valuation of inventories, capital assets and other assets for the 80 closed retail outlets.

Real Estate

Fiscal year 1999 compared with fiscal year 1998

External revenues from real estate properties increased by $0.1 million. Operating profit increased $0.2 million. In fiscal 1999, three properties that were surplus to the Company's long-term plans and two other properties were sold for $6.1 million, generating a profit of $0.9 million before income taxes. At fiscal year end, the Company owned 40 properties of which 19 are classified as commercial (including 6 properties with both a Company store as well as commercial tenants) and 16 are employed solely in support of retail operations. Five properties, formerly employed to support retail operations, are designated as surplus and will be sold. In fiscal 1999, the vacancy rate on the commercial properties was 7% compared to 10% last year.

Fiscal year 1998 compared with fiscal year 1997

External revenues from real estate properties increased by $0.8 million. As a result of carrying costs associated with vacancy due to store closures in Company owned locations, operating profit remained flat with the prior year. In fiscal 1998, six properties that were designated as surplus to the Company's long term plans were

sold for $3.1 million, generating pre-tax profits of $0.7 million. At year end, the Company owned a total of 45 properties of which 21 are classified as commercial and 17 are employed solely in support of retail operations. Seven properties, formerly employed to support retail operations, were designated as surplus and were available for sale. In fiscal 1998, the vacancy rate on the commercial properties was 10%, the same as the prior year.

Interest & other finance costs

Fiscal year 1999 compared with fiscal year 1998

Interest and other finance costs increased $9.9 million due to an increase in interest rates in fiscal 1999 and higher net borrowings throughout the year, primarily to finance the investment in Fort Chicago Energy Partners L.P. ('Fort Chicago') that was acquired at the end of last year. The average effective interest rate paid on total borrowings was 9.7% and 5.7% respectively for fiscal 1999 and 1998. The Company's debt is linked to a Canadian chartered bank's prime interest rate, which was on average 1.7% higher than last year. In fiscal 1998, interest on bank indebtedness was at essentially the prime interest rate. In fiscal 1999, the nominal interest rate of the loan with one of its new lenders was prime plus 2% and with the other new lender at prime plus 1%. In addition, finance costs of approximately 1% were incurred to secure the new sources of financing.

Fiscal year 1998 compared with fiscal year 1997

Interest expense increased $2.2 million due to an increase in interest rates in fiscal 1998 and higher borrowings, primarily to finance the acquisition of the investment in Fort Chicago. The average effective interest rate paid on total borrowings was 5.7% and 5.1% respectively for fiscal 1998 and 1997.

Income taxes

In fiscal 1999, the Company adopted, on a retroactive basis, the new accounting recommendations of the Canadian Institute of Chartered Accountants for the accounting for future income taxes. The new standards are based on the principle that an enterprise recognizes a future income tax liability or asset whenever settlement or recovery of the carrying amount of a liability or an asset will result in future income tax outflows or reductions. The Company previously followed the deferral method of accounting for income taxes whereby income taxes were provided on timing differences between accounting and taxable income. The change has the effect of decreasing earnings for fiscal 1999 by $5.9 million, or 35¢ per share and increasing earnings in fiscal 1998 by $20.8 million or $1.20 per share. Previously reported retained earnings at the beginning of fiscal 1999 and 1998 have been reduced by $9.4 million and $30.2 million respectively.

In fiscal 1999, the Company did not recognize $18.6 million of future income tax assets. The expiry of these tax assets can be mitigated so as to provide for carry forward benefits throughout future periods. This asset will likely be recognized in the accounts of the Company upon the substantial improvement in the market value of the Company's investment assets.

Cash Flow Review

	Jan. 1999 ($000's)	Jan. 1998 ($000's)	Jan. 1997 ($000's)
Working capital (deficiency)	51,478	(83,270)	(5,508)
Investments – long-term	137,460	363,129	141,921
Capital assets	55,453	69,373	77,408
Long-term debt	88,356	—	—
Shareholders' equity	163,515	304,950	212,126
Cash flow from earnings	(6,312)	(5,628)	(10,889)
Net cash provided (used) by:			
operating activities	5,530	(21,071)	(23,860)
investing activities	55,950	(90,545)	(6,173)
financing activities	118,099	16,453	(7,528)

Net Cash Provided by Operating Activities

During fiscal 1999, operating activities provided cash resources of $5.5 million, an increase of $26.6 million over fiscal 1998, primarily from reductions to inventory and receivable levels. Cash flow from earnings was negative at $6.3 million, a decline of $0.7 million from fiscal 1998. Working capital was improved by $134.7 million, as the Company refinanced its borrowings with long-term debt, as further commented upon in the "Financial Requirement and Liquidity" commentary.

During fiscal 1998, operating activities used cash resources of $21.1 million, primarily as a consequence of restructuring. This was $2.8 million lower than in fiscal 1997. Cash flow from earnings was negative at $5.6 million, an improvement of $5.3 million from fiscal 1997.

Net Cash Used in Investing Activities

During fiscal 1999, net cash provided from investing activities was $56.0 million, the result of the sale of 2.8 million shares in Pioneer and $6.1 million from the sale of real estate properties. In fiscal 1999, capital expenditures were $7.7 million, an increase of $0.8 million over the prior year. The increase is primarily due to upgrading information technology at Saan Stores.

During fiscal 1998, net cash used in investing activities was $90.5 million, the result of the $84.5 million investment in Fort Chicago and a $5.0 million investment in Tundra to assist Tundra in its acquisition. In fiscal 1998, capital expenditures were $6.9 million, down slightly from the prior year.

Net Cash Used in Financing Activities

In the 2nd quarter of fiscal 1999, cash provided from financing activities consisted of refinancing of $188.2 million of bank debt with two long-term credit facilities. There was also a payment of $11.0 million against temporary borrowings from parties related to certain shareholders and $2.0 million for dividends paid to shareholders. The loan on the non-revolving credit facility was permanently reduced by $39.3 million during the year. The loan on the revolving credit facility was reduced by $17.9 million as a consequence of the paydown following the Christmas selling period when inventories are at their lowest levels.

During fiscal 1998, cash provided from financing activities consisted of temporary borrowing of $17.7 million from parties related to certain shareholders offset by $2.0 million for dividends paid.

Financial Requirements and Liquidity

In fiscal 1999, the Company refinanced $188.2 million of current bank debt with two long-term credit facilities. SAAN Stores Ltd. negotiated a $75 million revolving credit facility with Congress Financial Corporation (Canada), collateralized by inventory and accounts receivable, that provides for a loan amount of up to 70% of the cost of inventory, determined monthly, and incorporates a $15 million letter of credit facility. The facility matures on June 3, 2001, with a mutually agreeable extension of one year. In July 1998, the Company negotiated a $132 million non-revolving credit facility with Trilon Bancorp ('Trilon'), collateralized by the Company's investments in Pioneer and Fort Chicago. The facility matures on July 9, 1999, and is extendable at the Company's option to July 9, 2000. By the end of fiscal 1999, the Company had paid down the loan by $39.3 million to 92.7 million. Subsequent to year end, the Company further paid down the loan by $24 million to $69 million.

As a consequence of the general decline in quoted share prices in the energy sector and the associated decline of the market value of the shares of Pioneer, the ratio of the aggregate market value of the shares of Pioneer and Fort Chicago to indebtedness was less than the 1.67:1 ratio required in the credit agreement. Additionally, the Company is not in compliance with the minimum shareholders' equity requirement of $200 million. In March 1999, Trilon agreed to support the Company to the maturity date of the credit facility and will allow the Company to extend the maturity date to July 9, 2000 on condition that the balance of the loan is reduced to $50 million. Upon extension, the minimum equity requirement will be reduced to $140 million. An amount of $42.7 million has been classified as a current liability and $50 million has been classified as long-term on the basis that the Company will refinance or dispose of assets sufficient to meet the lender's conditions.

Fort Chicago has secured all the financing required to meet its share of the equity commitments for the Alliance Pipeline and Aux Sable Plant projects and accordingly, Fort Chicago does not expect to require additional equity contributions from Gendis and its partners. The investment in Fort Chicago has the potential to provide earnings and cash flow to Gendis of $13 million to $15 million per annum when the pipeline and plant become fully operational in October 2000.

During fiscal 2000, through a combination of refinancing debt and disposition of assets, the Company intends to reduce the Trilon loan to $50 million, repay a demand loan of $6.7 million payable to parties related to certain shareholders and to provide funds to meet corporate activities until Fort Chicago provides operating cash flows.

Risks and Uncertainties

Approximately 25% of the Company's total assets at carrying value are invested in Fort Chicago, a publicly traded limited partnership, which is the largest shareholder in the Alliance Pipeline Project for the construction and operation of a natural gas pipeline from northeastern British Columbia to Chicago and in the Aux Sable Plant project, a natural gas liquids extraction plant at the terminus of the pipeline. Although the project has received regulatory approvals to proceed with construction, an appeal remains before the courts. If this appeal is successful, the in-service date for the Alliance Pipeline could be delayed with a corresponding effect that income distributions would be delayed. There are also potential risks of cost overruns and delays in the construction of the pipeline and the plant. Although Fort Chicago has secured all the financing required to meet its share of the equity commitments for the Alliance Pipeline and Aux Sable Plant projects, if Fort Chicago is unable to draw on its credit facilities, Fort Chicago may issue additional equity capital. If the Company chooses not to participate in the equity offering, it would suffer a dilution of its interest. Alternatively, Fort Chicago may sell a portion of its interest in the projects to meet its equity obligations, at a potentially significant loss. Once the pipeline and plant become operational, there are the usual risks associated with natural gas price fluctuations, foreign exchange fluctuations, competition from other sources of energy supply and environmental issues.

Approximately 17% of the Company's total assets at carrying value are invested as a portfolio holding in Pioneer, a publicly traded US oil and gas company. The value of the investment is dependent upon investor evaluation of Pioneer's operating performance and its prospects in the future. During the past year, investors have generally been negative toward the oil and gas industry sector as oil prices fell from approximately US$18 at the end of last year to approximately US$12 at the end of this year. The expectation is that the Company's investment in Pioneer will increase in market value in tandem with an increase in oil prices.

The Company expects a favourable judgment on the sale of Tundra by the 4th quarter of fiscal 2000. Should the judgment not be in the Company's favour, the Company will continue to enjoy an investment in a profitable dividend paying oil and gas company in which the Company will continue to have significant influence.

The principal risks and uncertainties faced by the retail and real estate segments are common to all enterprises with which the Company competes in the Canadian consumer environment.

For retailing activities, the focus has been on the niche market in smaller towns across Canada that major competitors have not entered. A significant risk exists in the pricing policies established by the lowest cost competitor with respect to national brand products. The Company has emphasized the development of in-house proprietary brands that provide differentiation in establishing pricing levels. Other risks, including the weather, the general state of the economy and changing consumer attitudes are normal business risks for which management establishes programs and other initiatives to achieve optimal operating performance. The Company sources its merchandise from many suppliers in North America. Goods imported for resale are subject to the risk of fluctuation in currency values. To minimize risk, a currency hedging program is employed, when considered appropriate, that allows the fixing of merchandise cost.

Approximately one-half of the Company's real estate locations are in support of the retail segment's operations and the remainder is leased to commercial tenants who are also primarily operating in the consumer retail environment. Geographically, 60% of the real estate locations are in western Canada, 30% in central Canada and 10% in the Maritimes.

All of the Company's interest sensitive debt is based on a Canadian Chartered Bank's prime interest rate and accordingly, the Company is subject to short term interest rate volatility.

Year 2000

The Company is currently managing its operational and financial risks relating to the calendar change for the year 2000. These risks are primarily in the Company's retail operations. The Company started working on the solution in fiscal 1997 and has identified and modified application programs, operating systems and databases that required change. Many of the Year 2000 hardware and software solutions were achieved as a consequence of the planned conversion and upgrade of hardware and software over the past two years and into the year ahead. The financial reporting software and distribution software were "purchased" solutions that are now Year 2000 ready. During fiscal 2000, the remaining tasks consist of thoroughly parallel testing software programs for modifications that were made. This task is expected to be completed by mid summer of 1999. Also, the planned replacement of microcomputer hardware and associated software is scheduled for completion by the mid summer of 1999. Costs that are specifically identified as solely a consequence of achieving Year 2000 readiness and that are not part of the planned conversion and upgrade of hardware and software are estimated to be less than $1.0 million. These costs are expensed as incurred.

The Company is presently addressing the potential disruption that might occur from "infrastructure" issues such as the provision of building utilities and security. The Company has provided suppliers with a Year 2000 readiness questionnaire and is presently monitoring responses. The Company is not dependent on any merchandise product or service. Consequently, the Company is confident that our source of merchandise supply will not be subject to major disruption from the failure of a given supplier to address its Year 2000 issues. Despite the Company's efforts, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related efforts of service providers, vendors and other third parties, will be fully resolved.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The following analysis uses definitions contained in The Toronto Stock Exchange Report on Corporate Governance and is numbered in response to specific guidelines. This analysis was adopted by the Board of Directors and is updated on an annual basis.

1. The Board has the responsibility to direct the management of the business and affairs of the Corporation and towards that end has redefined the responsibilities of the established committees in order to improve corporate governance.

   (i) A strategic planning process is in place. Management submits written strategic plans for the Corporation and its wholly-owned subsidiaries to the Board for discussion. These plans are updated as required. Proposals to carry through on the strategic plans are reviewed regularly. Once a year, a special meeting of the Board is held, in conjunction with a regular Board meeting, and is dedicated to the issue of strategic planning.

   (ii) The principal risks of the Corporation's business are outlined under the "Management Discussion and Analysis". The Board reviews these risks periodically upon the recommendation of the Audit Committee; sets policy for the management of these risks when appropriate; and receives reports from management on the manner by which the risks are being assessed and managed.

   (iii) On an annual basis, the Board appoints management for the ensuing year. Succession planning for the CEO position is ongoing and has been entrusted to the Human Resources and Compensation Committee. Management of Gendis Inc. advises that individuals are currently employed who possess the required skills and abilities to support, in detail, the broad responsibilities of management.

   (iv) Management has developed a formal Communications Policy which addresses the interests of the stakeholders of the Corporation, namely shareholders, employees, suppliers, customers, governments and the public. The Communications Policy has been approved by the Board.

   (v) The Audit Committee monitors the integrity of the Corporation's internal control and management information systems. The Audit Committee meets with the Vice-President, Finance and the shareholders' auditors twice a year to discuss and review such matters and report to the Board.

2. The Board consists of seven members, four of whom are unrelated directors. An unrelated director as defined in the Corporate Governance Guidelines "is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the corporation, other than interests and relationships arising from shareholding. A related director is a director who is not an unrelated director." An inside director is an employee of the Corporation or of a subsidiary. The Board has resolved that its composition should include a majority of unrelated directors. The Corporation does not have a "significant shareholder", which is defined by the Corporate Governance Guidelines as "a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors."

3. The Board states that it is composed of a majority of unrelated directors. Mr. Albert D. Cohen and Mr. G. Allan MacKenzie, management directors, are related directors. Mr. Anthony J. Cohen is the son of Mr. Albert D. Cohen, and is a related director. Mr. Guy Turcotte, Chairman and Chief Executive Officer of Fort Chicago Energy Partners L.P., a partnership owned as to 22% by Gendis Inc., is an outside and unrelated director for the purposes of the Corporate Governance Guidelines. Messrs. Edward C. Lumley, Lawrence O. Pollard and Barry C. Steers are unrelated directors, having regard to a review and analysis of their relationships with the Gendis Inc. group of corporations by the Vice-President, Secretary and General Counsel of the Corporation.

4. The Corporate Governance Committee, composed exclusively of four outside/unrelated directors is responsible for proposing to the full Board new nominees to the Board. The Corporate Governance Committee solicits the names of nominees from Board members and management of outside and unrelated individuals, with appropriate experience, prior to making a final recommendation. To date, the Corporation does not have a formal process for assessing directors on an ongoing basis because, considering the size of the Board and the involvement of Board members on committees, assessment is an ongoing process. The Corporate Governance Committee has been assigned responsibility for this process.

5. The Corporate Governance Committee has been assigned the responsibility for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. No formal assessment process has been developed.

6. The Corporation provides an orientation and education program for new recruits to the Board. New nominees meet with senior management on key business, financial, operational and legal issues.

7. The Corporate Governance Committee and the Board have reviewed the size of the Board and its composition and state that a Board of 7 directors facilitate effective decision-making at this point in the Corporation's history.

8. The Human Resources and Compensation Committee regularly reviews the amount and form of the compensation of directors.

9. The Audit Committee is composed of two outside/unrelated directors and one outside/related director. The Corporate Governance Committee is composed of four outside/unrelated directors. The Human Resources and Compensation Committee is composed of two outside/unrelated directors and one inside/related director.

10. The Corporate Governance Committee is responsible to the Board for monitoring the development of the Corporation's approach to governance issues and the Corporation's response to Toronto Stock Exchange Corporate Governance Guidelines.

11. The Board of Directors, together with the CEO, have not developed position descriptions for the Board and for the CEO involving the definition of the limits to management's responsibilities. The Board has limited management's monetary authority to $3 million per transaction. The Board is developing the corporate objectives which the CEO is responsible for meeting, which will be based upon the annual business plan.

12. The Board of Directors has appropriate structures and procedures in place to ensure that the Board can function independently of management. The procedure is for the outside/unrelated directors to meet independently of management prior to each Board Meeting. The structure is a Corporate Governance Committee Meeting. The CEO is the Chairman of the Board and consequently, a "lead director" has been appointed, namely the chair of the Corporate Governance Committee.

13. The Audit Committee is composed only of outside directors. The Board is satisfied that the terms of reference of the Audit Committee are specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties. The Audit Committee has direct communication channels with the Vice-President, Finance and external auditors to discuss and review specific issues as appropriate. The Audit Committee duties include monitoring the integrity of the Corporation's internal control and management information systems through direct communication channels with the external auditors to discuss and review specific issues as appropriate.

14. The Board resolved that any committee of the Board or any individual director may, at the expense of the Corporation, and with the prior consent of the Corporate Governance Committee, engage an outside advisor. The Corporate Governance Committee would advise the Corporate Secretary to implement this procedure as required.

RESPONSIBILITY FOR FINANCIAL REPORTING

Management of the corporation is responsible for the consolidated financial statements and all information in the Annual Report. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies are described in note 1 to the consolidated financial statements. Management exercised its best judgement in selecting appropriate accounting policies and providing estimates as part of the reporting process. Management maintains a system of accounting and administrative controls to provide reasonable assurance that transactions are appropriately authorized, assets safeguarded and financial records maintained in order to provide relevant, reliable and timely financial information. Management considers financial information presented in the Annual Report consistent with the consolidated financial statements.

The Board of Directors has appointed an Audit Committee, consisting of two directors who are not officers or employees of the Corporation. The Audit Committee meets periodically with management and the independent auditors to review the performance of their respective responsibilities and to discuss accounting policy and financial reporting matters. The Audit Committee assesses the audit plan of the independent auditor, the audit report and the results of audit findings. The Audit Committee provides unrestricted access to the independent auditor to discuss audit and related findings on the integrity of the Corporation's financial reporting process and the adequacy of the system of accounting and administrative controls. The Audit Committee provides a recommendation to the Board of Directors on the approval of the consolidated financial statements and the re-appointment of the independent auditors.

The Board of Directors established its intent to maintain high ethical standards in the conduct of the Corporation's business activities by circulating a Code of Conduct to directors, officers and employees.

President and Chief Operating Officer

David Dryhaugh

Vice-President, Finance

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Gendis Inc. as at January 30, 1999 and January 31, 1998 and the consolidated statements of earnings (loss) and retained earnings and changes in financial position for the fiscal years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at January 30, 1999 and January 31, 1998 and the results of its operations and the changes in its financial position for the fiscal years then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Winnipeg, Manitoba

March 19, 1999

CONSOLIDATED BALANCE SHEET AS AT JANUARY 30, 1999

(thousands of dollars)

	1999 $	1998 $
ASSETS		
CURRENT ASSETS		
Cash	**3,918**	1,534
Receivables	**13,463**	21,512
Investments (note 3)	**30,279**	31,595
Inventories	**85,455**	91,704
Prepaid expenses	**3,986**	3,353
	137,101	149,698
INVESTMENTS (note 3)	**137,460**	363,129
CAPITAL ASSETS (note 4)	**55,453**	69,373
FUTURE INCOME TAXES	**3,130**	—
PREPAID PENSION COST (note 5)	**4,350**	4,350
	337,494	586,550
LIABILITIES		
CURRENT LIABILITIES		
Bank loans and advances (note 6)	**4,252**	181,447
Other indebtedness (note 6)	**6,700**	17,741
Accounts payable and accrued liabilities	**31,868**	32,038
Current portion of long-term debt (note 7)	**42,714**	—
Income taxes payable	**89**	1,742
	85,623	232,968
LONG-TERM DEBT (note 7)	**88,356**	—
FUTURE INCOME TAXES	**—**	48,632
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 8)	**17,100**	17,016
RETAINED EARNINGS	**146,415**	287,934
	163,515	304,950
	337,494	586,550

SIGNED ON BEHALF OF THE BOARD

Director

Director

CONSOLIDATED STATEMENT OF EARNINGS (LOSS)

FOR THE FIFTY-TWO WEEKS ENDED JANUARY 30, 1999

(thousands of dollars)

	1999 $	1998 $
SALES	**400,536**	410,284
COSTS AND EXPENSES		
Cost of goods sold, selling, general and administrative expenses	**391,380**	393,619
Amortization	**9,946**	12,096
Interest and other finance expense	**17,162**	7,225
	418,488	412,940
NET LOSS BEFORE THE UNDERNOTED	**(17,952)**	(2,656)
Cost of restructuring (note 2)	**(5,951)**	(22,123)
Investment income (note 3)	**5,829**	—
Gain (loss) on disposal of investments (note 3)	**(49,792)**	162,750
Provision for loss on investments (note 3)	**(126,961)**	(13,800)
EARNINGS (LOSS) BEFORE INCOME TAXES	**(194,827)**	124,171
Provision for (recovery of) income taxes (note 9)	**(53,074)**	42,350
	(141,753)	81,821
Equity in the earnings of investments	**2,248**	12,291
NET EARNINGS (LOSS) FOR THE YEAR	**(139,505)**	94,112
EARNINGS (LOSS) PER SHARE	**($8.31)**	$5.62

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE FIFTY-TWO WEEKS ENDED JANUARY 30, 1999

(thousands of dollars)

RETAINED EARNINGS - beginning of year, as previously stated	**297,334**	226,034
Effect of the change in accounting for future income taxes	**(9,400)**	(30,203)
RETAINED EARNINGS - beginning of year, as restated	**287,934**	195,831
NET EARNINGS (LOSS) FOR THE YEAR	**(139,505)**	94,112
DIVIDENDS PAID	**(2,014)**	(2,009)
RETAINED EARNINGS - end of year	**146,415**	287,934

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE FIFTY-TWO WEEKS ENDED JANUARY 30, 1999

(thousands of dollars)

	1999 $	1998 $
CHANGES IN CASH POSITION		
By operations		
Net earnings (loss) for the year	**(139,505)**	94,112
Items not affecting cash:		
Amortization	**9,946**	12,096
Equity in the earnings of investments	**(2,248)**	(12,291)
Investment income	**(4,877)**	—
Future income taxes	**(51,762)**	42,561
Cost of restructuring	**5,951**	7,861
Loss (gain) on disposal of investments	**49,792**	(162,750)
Provision for loss on investments	**126,961**	13,800
Gain on disposal of capital assets	**(570)**	(1,043)
Prepaid pension cost	**—**	26
	(6,312)	(5,628)
Net decrease (increase) in non cash working capital	**11,842**	(15,443)
	5,530	(21,071)
By investing activities		
Proceeds from disposal of capital assets	**6,301**	3,875
Additions and replacement of capital assets	**(7,708)**	(6,893)
Notes receivable collected	**—**	999
Proceeds from disposal of investments	**56,357**	—
Investments acquired	**—**	(89,526)
Dividends received from investment	**1,000**	1,000
	55,950	(90,545)
By financing activities		
Initial advance from long-term credit facilities	**188,228**	—
Net decrease in debt under long-term credit facilities	**(57,158)**	—
Increase (decrease) in other indebtedness	**(11,041)**	17,741
Dividends paid	**(2,014)**	(2,009)
Issue of shares	**84**	721
	118,099	16,453
INCREASE (DECREASE) IN CASH	**179,579**	(95,163)
INDEBTEDNESS - beginning of year	**(179,913)**	(84,750)
INDEBTEDNESS - end of year	**(334)**	(179,913)
INDEBTEDNESS IS REPRESENTED BY:		
Cash	**3,918**	1,534
Bank loans and advances	**(4,252)**	(181,447)
	(334)	(179,913)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FIFTY-TWO WEEKS ENDED JANUARY 30, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Comparative figures are for the fifty-three weeks from January 26, 1997 to January 31, 1998. Certain prior year figures have been restated to conform with the presentation adopted in the current year.

(b) Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and all subsidiary corporations.

(c) Measurement uncertainty

The preparation of the consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the corresponding effect on reported earnings for the year. Due to uncertainties inherent in the estimation process, it is possible that changes in future conditions may cause recorded amounts to change by a material amount in the near term. Adjustments in estimates will be recorded in future years' operations.

(d) Inventories

The basis of valuation of inventories is the lower of cost and net realizable value determined by the retail method of accounting.

(e) Investments

Investments where the Corporation has significant influence, namely Fort Chicago Energy Partners L.P. and Tundra Oil and Gas Ltd., are accounted for by the equity method. This method of accounting brings into consolidated earnings and the carrying value of the investment, the Corporation's share of earnings of the investee and the effect of non-proportionate participation by the Corporation in the investee's capital transactions. The carrying value of the investment is reduced by dividends or cash distributions received from the investee. Where the value of the investment is below carrying value for reasons that are considered to be other than temporary, a provision for the decline is recorded against the investment and charged to earnings. Investments that are considered as a current asset are recorded at the lower of carrying value or market value.

Fort Chicago Energy Partners L.P.'s interest in the Alliance Pipeline and Aux Sable Plant projects is accounted for by the equity method. The Alliance Pipeline project follows certain accounting practices prescribed by regulatory authorities or stipulated in approved rate-making agreements. Accordingly, an allowance for debt and equity funds used during construction is recorded in income and capitalized to the Project's capital asset accounts.

(f) Capital assets and amortization

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life at the following annual rates:

Buildings	2%
Furniture, fixtures and equipment:	
Stores	10 to 14%
Office and warehouse	7%
Automotive	14 to 20%
Computer:	
Equipment	25 %
Software	20 to 50 %

Amortization of leasehold improvements is provided on a straight-line basis over the term of the lease plus one renewal option period, to a maximum of 10 years.

(g) Pension cost and obligations

The Corporation maintains an employee contributory defined benefit pension plan and a defined contribution pension plan. All employees who meet certain eligibility requirements must participate in one of the plans. For the defined benefit plan, the cost of pensions is

determined using the projected benefit method pro rated on service. Past service surplus and annual experience gains or losses of the defined benefit plan are amortized on a straight-line basis over the estimated average remaining service life of the members of the plan, approximately 15 years. For the defined contribution plan, the cost of pensions is the Corporation's contribution to the plan.

(h) Financial Instruments

The carrying value of receivables, accounts payable and accrued liabilities, bank loans and advances, and other indebtedness approximate their fair values due to their short term maturity. The carrying value of long-term debt approximates fair value based on rates currently available to the Corporation for debt with similar terms and maturities.

(i) Earnings per share

The calculation of the earnings per share is based on the weighted average number of shares outstanding during the respective fiscal years.

(j) Change in the method of accounting for income taxes

During the year ended January 30, 1999, the Corporation adopted, on a retroactive basis, the new accounting recommendations of the Canadian Institute of Chartered Accountants for the accounting for future income taxes. The new standards are based on the principle that an enterprise recognizes a future income tax liability or asset whenever settlement or recovery of the carrying amount of a liability or an asset will result in future income tax outflows or reductions. The Corporation previously followed the deferral method of accounting for income taxes whereby income taxes were provided on timing differences between accounting and taxable income. The change has the effect of decreasing earnings for the year ended January 30, 1999 by $5,913,000, or 35¢ per share (1998 - an increase of $20,803,000 or $1.20 per share). Previously reported retained earnings at the beginning of the fiscal years ended 1999 and 1998 have been reduced by $9,400,000 and $30,203,000 respectively.

2. RESTRUCTURING OF THE RETAIL OPERATIONS

On February 11, 1997, the Corporation initiated a restructuring of its retail segment. The restructuring involved the closing of 80 retail outlets and the centralization of the segment's head office functions. The closure of the retail outlets was concluded through the bankruptcy of a subsidiary, Greenberg Stores Limited and its principal operating division, MMG Management Group. For the year ended January 30, 1999, the Corporation recorded a provision for restructuring cost of $5,951,000 pertaining to the non cash writedown of store fixtures and leasehold improvements and $22,123,000 for the year ended January 31, 1998, pertaining to continuing obligations and relocation costs in the centralization of head office functions. The restructuring provisions are based on estimates subject to measurement uncertainty.

3. INVESTMENTS

(a) Investments are primarily corporations involved in the oil and gas industry and a limited partnership involved in pipeline activities:

	Number of of shares/units (000's)		Quoted market value ($000's)		Carrying value ($000's)	
	1999	1998	1999	1998	1999	1998
At cost less provision for loss:						
Pioneer Natural Resources Company	4,429	7,254	55,211	228,766	58,575	288,577
Chauvco Resources International Ltd.	—	14,689	—	7,785	—	2,983
On an equity basis:						
Fort Chicago Energy Partners L.P.	14,689	14,689	88,132	118,243	89,336	84,460
Tundra Oil and Gas Ltd.					19,828	18,579
Other investments, at cost					—	125
					167,739	394,724
less investments classified as current assets:						
Pioneer Natural Resources Company	2,429	1,000	30,279	31,595	30,279	31,595
					137,460	363,129

(b) During the year ended January 31, 1998, under a Plan of Arrangement, the Corporation acquired shares of Pioneer Natural Resources Company, while retaining the Corporation's investment interests in Chauvco Resources Ltd.'s Gabon operations and Alliance Pipeline investment. The Corporation exchanged its shares in Chauvco Resources Ltd., for shares on a formula basis, of Pioneer Natural Resources Company. As a result of the Plan of Arrangement, the Corporation recorded a gain of $162,750,000 before income taxes. Chauvco Resources Ltd. spun-off to its shareholders its operations in Gabon through a newly created publicly traded corporation, Chauvco Resources International Ltd. In addition, Chauvco Resources Ltd. distributed to its shareholders rights to acquire its interest in the Alliance Pipeline and Aux Sable Plant project through a transfer of its interests to a newly formed limited partnership, Fort Chicago Energy Partners L.P.

(c) During the year ended January 31, 1998, following the receipt of the rights, the Corporation acquired 14,688,610 units, representing 22% of the limited partnership, of Fort Chicago Energy Partners L.P., for cash consideration of $84,460,000. This investment effectively represents a 6% indirect ownership position in the Alliance Pipeline and Aux Sable Plant projects. The projects involve the design, construction and operation of a 3,000 kilometre natural gas pipeline from north-eastern British Columbia to Chicago, Illinois and the construction and operation of a natural gas liquids extraction facility at the terminus of the pipeline. Construction is scheduled for completion in the calendar year 2000.

(d) During the year ended January 30, 1999, the Corporation realized losses of $49,792,000 on the sale of shares of Pioneer Natural Resources Company.

(e) During the year ended January 30, 1999, as a result of declines in value of the Corporation's investment in Pioneer Natural Resources Company and Chauvco Resources International Ltd., the Corporation recorded write-downs of $126,961,000 (1998 - $13,800,000).

(f) During the year ended January 30, 1999, investment income represents $4,877,000 from the share of earnings of Fort Chicago Energy Partners L.P. and $952,000 from dividend income from Pioneer Natural Resources Company.

(g) During the year ended January 30, 1999, the Corporation sold its investment in Tundra Oil and Gas Ltd. The Corporation is seeking a court declaration that the sale agreement is binding on the purchaser. The Corporation seeks judgement of $39 million plus contingent consideration of $2 million conditional on oil price increases over the next two years. The Corporation will record the sale transaction upon the conclusion of this matter. Until this matter is concluded, the Corporation continues to have significant influence over the operational and strategic decisions of Tundra Oil and Gas Ltd. through its equal representation on the Board of Directors. Accordingly, the Corporation will continue to equity account for its share of earnings of Tundra Oil and Gas Ltd.

(h) Trilon Bancorp Inc., a lender to the Corporation as referred to in note 7, has an option to acquire from the Corporation one million units of Fort Chicago Energy Partners L.P. at an exercise price of $6 per unit. The option expires July 9, 2003.

4. CAPITAL ASSETS

	Cost		Accumulated amortization		Net	
($000's)	1999	1998	1999	1998	1999	1998
Land	7,238	8,054	—	—	7,238	8,054
Buildings	31,405	38,570	10,266	12,364	21,139	26,206
Furniture, fixtures and equipment	67,029	94,388	48,862	71,370	18,167	23,018
Computer equipment and software	8,403	6,965	6,506	5,639	1,897	1,326
Leasehold improvements	20,069	25,783	13,057	15,014	7,012	10,769
	134,144	173,760	78,691	104,387	55,453	69,373

5. PREPAID PENSION COST

Prepaid pension cost represents the cumulative difference between the amounts accrued and funding contributions. The most recent actuarial valuation of accumulated pension benefits was made as at December 31, 1996. At January 30, 1999, the extrapolated valuation of accumulated pension benefits amounted to $39,240,000 (1998 - $37,737,000). Pension plan net assets, available to provide for these obligations, amounted to $56,074,000 (1998 - $57,735,000). The valuation of the pension plan net assets is based on market values with unrealized gains and losses averaged over a five year period.

6. BANK LOANS, ADVANCES AND OTHER INDEBTEDNESS

(a) The Corporation's operating lines of credit in effect prior to June 30, 1998, were collateralized by a general security agreement that provided a first floating charge against assets and a pledge of certain of the Corporation's investments. The interest rate on the bank loans was the prime rate as established by the Corporation's bankers from time to time. During the year ended January 31, 1998, the Corporation increased its credit facility by $84,460,000 to acquire its investment in Fort Chicago Energy Partners L.P. At the June 30, 1998 completion of the term of the credit facility, the Corporation finalized agreements with other lenders, as referred to in note 7, for term financing to replace the bank loans.

(b) Other indebtedness consists of loans of $6,700,000 (1998 - $17,741,000) from parties related to certain shareholders of the Corporation. The loans are due on demand with interest at the prime rate, as established by the Corporation's bankers from time to time, less ½ of 1%.

7. LONG-TERM DEBT

($000's)	1999	1998
Trilon Bancorp Inc.	92,714	—
Congress Financial Corporation (Canada)	38,356	—
	131,070	—
less current portion of Trilon Bancorp Inc. debt	42,714	—
	88,356	—

(a) Trilon Bancorp Inc.

On July 9, 1998 the Corporation negotiated a $132 million credit facility that is collateralized by a first floating charge over the Corporation's assets, excluding the assets owned by Saan Stores Ltd., the Corporation's subsidiary. The collateral for the facility also includes a pledge and hypothecation of the Corporation's investments in Pioneer Natural Resources Company, Fort Chicago Energy Partners L.P. and Saan Stores Ltd. The Corporation has also agreed to comply with various covenants commonly found in loan agreements. The facility matures on July 9, 1999, and is extendable at the Corporation's option to July 9, 2000. The interest rate is the prime rate as established from time to time by the Canadian Imperial Bank of Commerce, plus 2%. Upon extension of the facility at a principal amount of $70 million or less, the interest rate will be the prime rate plus 1%.

As at January 30, 1999 and at various times subsequent to the fiscal year end, as a consequence of the general decline in quoted share prices in the energy sector and the associated decline of the market value of the shares of Pioneer Natural Resources Company, the ratio of the aggregate market value of the shares of Pioneer Natural Resources Company and Fort Chicago Energy Partners L.P. to indebtedness was less than the 1.67:1 ratio required in the credit agreement. In addition, at January 30, 1999 and subsequent to the fiscal year end, the Corporation was not in compliance with minimum shareholders' equity requirement of $200 million.

The Corporation has the support of its lender, and expects this support to continue through to the July 9, 1999 maturity date of the credit facility. Subsequent to January 30, 1999, the Corporation sold 1,429,000 shares of Pioneer Natural Resources Company, as referred to in note 11, to reduce the loan to $77,275,000. In March 1999, the lender agreed to forbear until July 9, 1999 and allow the Corporation to extend the maturity date to July 9, 2000 on condition that the balance of the loan be reduced to $50 million. Upon extension, the minimum equity requirement is reduced to $140 million. At January 30, 1999, an amount of $42,714,000 has been classified as a current liability and $50 million has been classified as long term on the basis that the Corporation will either refinance or dispose of assets sufficient to meet the lender's conditions.

(b) Congress Financial Corporation (Canada)

On June 3, 1998, the Corporation negotiated a $75 million credit facility that is collateralized by a first floating charge over inventory and accounts receivable of Saan Stores Ltd., the Corporation's subsidiary. The facility provides for a loan amount of up to 70% of the cost of inventory, determined monthly. The Corporation has also agreed to comply with various covenants commonly found in asset-based loan agreements. The facilitv matures on June 3, 2001, with a mutually agreeable extension of one year. The interest rate is the prime rate as established from time to time by the Royal Bank of Canada, plus ¼ of 1%. Additionally, there is an unused credit facility fee of ¼ of 1% and a fee of 1% on outstanding letters of credit.

8. CAPITAL STOCK

(a) Authorized

The Corporation is authorized to issue an unlimited number of Class A, Class B and Class C shares. The Class A shares and the Class B shares are voting, convertible into one another on a share-for-share basis and rank equally in all respects except that in the case of the Class B shares, the directors of the Corporation may specify that the dividend, in whole or in part, shall be by way of a stock dividend of fully paid and non-assessable Class C shares.

The Class C shares are entitled to a fixed cumulative preferential dividend at the rate of $0.60 per share per annum and are redeemable at $10.00 per share.

(b) Class A shares issued

	Number of shares		Share Capital	
	1999	1998	1999 ($000's)	1998 ($000's)
Opening balance	16,774,656	16,723,156	17,016	16,295
Exercise of stock options	6,000	51,500	84	721
Closing balance	16,780,656	16,774,656	17,100	17,016

There are no Class B or Class C shares issued.

(c) Employee stock option plans

The Corporation has established employee stock option plans for officers and employees of the Corporation and its subsidiaries. Share options have been granted for 161,500 Class A shares (1998 - 172,500) at exercise prices ranging from $12.50 to $17.80 per share. The options have expiration dates to November 29, 2005. The exercising of these options will not have a material dilutive effect on earnings per share.

9. INCOME TAXES

(a) Taxes on earnings vary from the amounts that would be computed by applying the combined federal and provincial income tax rates to the earnings (loss) before income tax provision or recovery. The following is a reconciliation of the combined statutory rate to the effective income tax rate:

	1999		1998	
	($000's)	%	($000's)	%
Statutory income tax (recovery)	(89,231)	45.8	56,374	45.4
Non deductible (taxable) portion of capital losses (gains)	18,302	(9.4)	(17,027)	(13.9)
Future tax asset not recognized	18,572	(9.5)	—	—
Losses of subsidiary not recognized	—	—	896	0.7
Large corporations tax	252	(0.1)	596	0.5
Non taxable dividends	(217)	0.1	—	—
Limitation of deductible amounts	126	(0.1)	328	0.3
Other items	(878)	0.4	1,363	1.1
Effective income tax (recovery)	(53,074)	27.2	42,530	34.1

b) At January 30, 1999, the Corporation has net capital losses of $59,705,000 that may be applied to reduce taxable capital gains indefinitely in the future. The Corporation also has non capital losses of $20,585,000 that are subject to expiry as follows:

amount ($000's)	expiry date
4,456	2004
4,859	2005
11,270	2006

The Corporation can amend past tax filing positions to adjust capital cost allowance claims to mitigate expiry of non capital losses for the years 2004 and 2005 and to mitigate the expiry of $7,159,000 of non capital losses in the year 2006.

At January 30, 1999, the Corporation has recorded future tax assets of $3,130,000, an amount considered more likely than not to be realized. At January 30, 1999, the Corporation has an excess of deductible temporary differences of accounting over the tax basis of assets of $7,869,000 for capital assets and $16,103,000 for investments.

10. COMMITMENTS

(a) During the year ended January 30, 1999, rentals paid on property and equipment leases amounted to $23,602,000 (1998 - $24,763,000). Minimum annual rentals in subsequent years (exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges) on long-term property and equipment leases, the longest of which will expire in the year 2011 and in effect at January 30, 1999 are:

Year ending January	Minimum rental ($000's)
2000	19,534
2001	16,308
2002	12,448
2003	8,609
2004	5,642
thereafter	14,823

(b) The Corporation has letters of credit outstanding of $9,933,000 (1998 - $14,260,000) primarily relating to the purchase of inventory.

11. SUBSEQUENT EVENTS

In February, 1999, the Corporation sold 1,429,000 shares of Pioneer Natural Resources Company for $18,076,000, of which $15,438,000 was applied to reduce debt under the long-term credit facility with Trilon Bancorp Inc. Accordingly, the Corporation has included a provision for the resulting loss of $1,215,000 at January 30, 1999.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The "Year 2000 Issue" arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failures which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related efforts of service providers, vendors and other third parties, will be fully resolved.

13. SEGMENT INFORMATION

The Corporation has identified the following reportable segments:

The Retail segment consists of Saan Stores Ltd., which operates junior department and family clothing stores across Canada.

The Real Estate segment consists of managing 40 properties across Canada. Approximately one half of the properties are in support of the Retail operations.

The Corporate segment includes an investment in Fort Chicago Energy Partners L.P., which results in an effective 6% indirect ownership of the Alliance Pipeline and Aux Sable Plant projects, a portfolio investment in Pioneer Natural Resources Company, and a 50% equity interest in Tundra Oil and Gas Ltd., which is pending the recognition of a sale.

All revenues and operating expenses pertain exclusively to Canada.
Segment operating results are as follows:

($000's)		Retail	Real Estate	Corporate	Intersegment elimination	Consolidated
External revenue	1999	396,642	3,894	—	—	400,536
	1998	406,476	3,808	—	—	410,284
Intersegment revenue	1999	—	2,251	7,599	(9,850)	—
	1998	—	2,430	6,398	(8,828)	—
Segment operating profit (loss)	1999	(5,831)	4,035	13,079	(6,244)	5,039
	1998	2,529	3,838	2,675	(4,473)	4,569
Interest and other finance expense	1999	4,493	3,098	15,815	(6,244)	17,162
	1998	4,366	2,403	4,929	(4,473)	7,225
Investment gain (loss)	1999	—	—	(176,753)	—	(176,753)
	1998	—	—	148,950	—	148,950
Restructuring costs	1999	5,951	—	—	—	5,951
	1998	10,484	5,325	6,314	—	22,123
Income tax expense (recovery)	1999	3,589	4,378	(61,041)	—	(53,074)
	1998	(5,939)	(1,211)	49,500	—	42,350
Equity earnings	1999	—	—	2,248	—	2,248
	1998	—	—	12,291	—	12,291
Net earnings (loss) for the period	1999	(19,864)	(3,441)	(116,200)	—	(139,505)
	1998	(6,382)	(2,679)	103,173	—	94,112
Significant non cash items:						
Amortization of capital assets	1999	9,180	747	19	—	9,946
	1998	11,222	853	21	—	12,096
Future income taxes increase (decrease)	1999	3,352	789	(55,903)	—	(51,762)
	1998	(1,458)	(2,704)	46,723	—	42,561
Investment gain (loss)	1999	—	—	(176,753)	—	(176,753)
	1998	—	—	148,950	—	148,950
Restructuring costs	1999	5,951	—	—	—	5,951
	1998	—	7,861	—	—	7,861
Equity earnings and investment income	1999	—	—	7,125	—	7,125
	1998	—	—	12,291	—	12,291
Segment assets	1999	123,820	29,183	184,491	—	337,494
	1998	137,679	35,167	413,704	—	586,550
Capital expenditures	1999	7,706	2	—	—	7,708
	1998	6,806	73	14	—	6,893

The intersegment revenue of the Real Estate segment is rent charged to the Retail Segment. The intersegment revenue of the Corporate segment is management fees and interest charged to the Retail and Real Estate segments. Included in the Corporate segment assets are investments in investees subject to significant influence, amounting to $109,164,000 (1998 - $103,039,000).

CONSOLIDATED FINANCIAL INFORMATION

Five Year Review

(in thousands of dollars, except per share data)

Fiscal period ended	**January 31, 1999**	January 31, 1998	January 25, 1997 (1)	January 27, 1996 (1)	January 28, 1995 (1)
Operating Results					
Revenue	**400,536**	410,284	509,337	529,737	532,188
Retail	**396,642**	406,476	506,289	526,610	528,839
Real Estate - net external	**3,894**	3,808	3,048	3,127	3,349
Operating profit (loss) before interest	**5,039**	4,569	(13,083)	(24,742)	4,838
Retail	**(5,831)**	2,529	(17,408)	(25,059)	(2,209)
Real Estate	**4,035**	3,838	3,874	3,499	5,939
Corporate income (expense)	**6,835**	(1,798)	451	(3,182)	1,108
Interest	**17,162**	7,225	4,993	8,672	13,055
Earnings (loss) before the undernoted	**(12,123)**	(2,656)	(18,076)	(33,414)	(8,217)
Gain (loss) on disposal of investments	**(49,792)**	162,750	—	—	—
Provision for loss on investments	**(126,961)**	(13,800)	—	—	—
Cost of restructuring	**(5,951)**	(22,123)	(41,482)	—	—
Income tax (expense) recovery	**53,074**	(42,350)	5,700 (1)	13,442 (1)	2,635 (1)
Equity in earnings from investments	**2,248**	12,291	13,015	10,485	10,724
Discontinued operations	**—**	—	—	105,297	7,661
Net earnings (loss)	**(139,505)**	94,112	(40,843)	95,810	12,803
Dividends declared	**2,014**	2,009	5,283	9,141	9,135
Issue of share capital	**84**	721	—	—	1,254
Redemption of share capital	**—**	—	2,037	—	—
Cash flow from earnings	**(6,312)**	(5,628)	(10,889)	(18,210)	1,213
Capital expenditures	**7,708**	6,893	7,476	19,926	21,124
Financial Position					
Total assets	**337,494**	586,550	350,171	394,991	424,614
Total invested capital	**248,741**	353,582	218,197	276,067	273,401
Long-term debt	**88,356**	—	—	—	70,000
Future income tax payable (recoverable)	**(3,130)**	48,632	(24,132)(1)	(14,633)(1)	(630)(1)
Shareholders' equity	**163,515**	304,950	242,329	290,700	204,031
Per Common Share					
Earnings (loss) - full year	**(8.31)**	5.62	(2.44)	5.66	0.76
Discontinued business	**—**	—	—	6.22	0.46
Before discontinued operations	**(8.31)**	5.62	(2.44)	(0.56)	0.30
1st Qtr	**(0.17)**	(1.29)	(0.21)	(0.31)	(0.11)
2nd Qtr	**(0.09)**	0.23	0.09	0.07	0.19
3rd Qtr	**0.13**	0.25	0.10	0.05	0.15
4th Qtr	**(8.18)**	6.43	(2.42)	(0.37)	0.07
Annual dividends paid	**0.12**	0.12	0.32	0.54	0.54
Shareholders' equity	**9.74**	18.18	14.49	17.16	12.05
Other					
Class A shares outstanding	**16,780,656**	16,774,656	16,723,156	16,936,258	16,936,259
Share Price (2)					
- High	**21.75**	27.60	13.30	17.00	19.25
- Low	**4.65**	9.80	7.80	9.88	14.00

Notes:

(1) Income taxes accounted for on the deferral basis, not restated to the future tax basis.

(2) For Canadian capital gains tax purposes, the Valuation Day value of Gendis Inc. common shares on December 22, 1971 was $2.98.

BOARD OF DIRECTORS

ALBERT D. COHEN, O.C., LL.D.
Chairman & Chief Executive Officer,
Gendis Inc. (3)

ANTHONY J. COHEN
President, Ceyx Properties Ltd. (2)

THE HONOURABLE EDWARD C. LUMLEY, P.C.
Vice Chairman & Director, Nesbitt Burns Inc. (1) (3)

G. ALLAN MACKENZIE, C.M.M., O.ST.J., C.D., K.L.J.
President & Chief Operating Officer, Gendis Inc.

LAWRENCE O. POLLARD
Chairman, Pollard Banknote Limited (1) (2)

BARRY C. STEERS, LL.D.
Corporation Director (1) (3)

GUY J. TURCOTTE
Chairman & Chief Executive Officer,
Fort Chicago Energy Partners L.P. (1) (2)

(1) Members of the Corporate Governance Committee
(2) Members of the Audit Committee
(3) Members of the Human Resources & Compensation Committee

CORPORATE OFFICERS

ALBERT D. COHEN
Chairman & Chief Executive Officer

G. ALLAN MACKENZIE
President & Chief Operating Officer

DAVID J. DRYBROUGH
Vice President, Finance

N. PAUL CLOUTIER
Vice President, Secretary & General Counsel

ERNEST B. REINFORT
Comptroller

RICHARD H. BRUSEGARD
Assistant Secretary

CORPORATE INFORMATION

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1370 Sony Place
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R3T 1N5

Registrar and Transfer Agent
CIBC Mellon Trust Company
Vancouver, Calgary, Winnipeg,
Toronto, Montreal, Halifax
E-mail: cibcmellon.com

Auditors
PricewaterhouseCoopers
Suite 2300, Richardson Building
One Lombard Place
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R3B 0X6

Exchange Listing
Toronto Stock Exchange
- Class A and B shares

Principal Banker
Canadian Imperial Bank of Commerce

Investor Relations
P.O. Box 9400
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R3C 3C3
E-mail: finance@wpg.gendis.ca
Web Site: www.gendis.ca

SENIOR OFFICERS OF PRINCIPAL SUBSIDIARY CORPORATIONS

Gendis Realty Inc.
(property holding company)

G. ALLAN MACKENZIE
President & Chief Executive Officer

DAVID J. DRYBROUGH
Vice President

N. PAUL CLOUTIER
Secretary

RICHARD H. BRUSEGARD
Assistant Secretary

EQUITY INVESTMENT

Fort Chicago Energy Partners L.P. (22%)
(pipeline holding company)

Saan Stores Ltd.
(clothing and junior department stores)

G. ALLAN MACKENZIE
Chairman and Chief Executive Officer

F. ROBERT WHITNEY
President & Chief Operating Officer

JACK SORENSON
Vice President, Finance

MYRON HUTMACHER
Vice President, Merchandising

GREG FENSKE
Vice President, Marketing

LEONARD DOLEZSAR
Vice President, Planning & Development

EUGENE PHANEUF
Vice President, Logistics

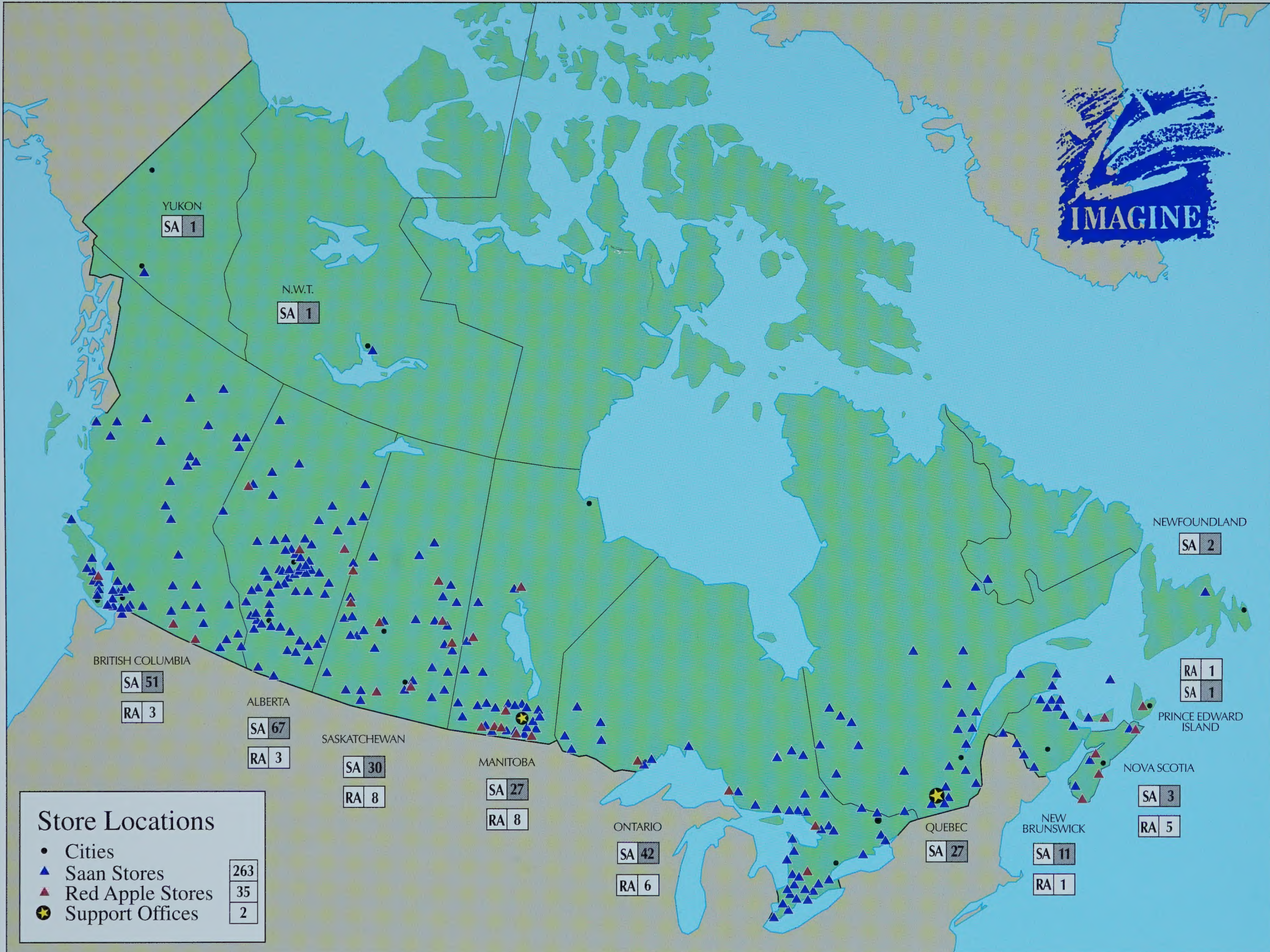
NORMAND NOWLAN
Vice President, Operations

ROGER RAMSAY
Vice President, Human Resources

DAVID J. DRYBROUGH
Vice President

N. PAUL CLOUTIER
Secretary

RICHARD H. BRUSEGARD
Assistant Secretary



IMAGINE
YUKON SA 1
N.W.T. SA 1
BRITISH COLUMBIA SA 51 RA 3
ALBERTA SA 67 RA 3
SASKATCHEWAN SA 30 RA 8
MANITOBA SA 27 RA 8
ONTARIO SA 42 RA 6
QUEBEC SA 27
NEW BRUNSWICK SA 11 RA 1
NOVA SCOTIA SA 3 RA 5
PRINCE EDWARD ISLAND RA 1 SA 1
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Store Locations
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Saan Stores 263
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Support Offices 2